

# GENERAL COUNSEL'S REPORT

October 23, 2013

- C. Christian Care Center of Memphis f/k/a Americare Health and Rehabilitation Center, Memphis (Shelby County), TN — CN0908-045AE  
Request for a \$1,853,976 project cost increase from \$8,639,395 to \$10,473,976 and a two (2) year extension of the expiration date from January 1, 2014 to January 1, 2016.

This project was originally approved by 6-0 unanimous vote on November 18, 2009 for the partial relocation and replacement of ninety (90) of the two hundred thirty-seven (237) nursing home beds from AmeriCare Long Term Specialty Hospital, LLC., which was located at 3391 Old Getwell Road, Memphis (Shelby County), TN, to a new facility to be constructed at the northwest corner of Kirby Parkway and Kirby Gate Boulevard, Memphis (Shelby County), TN. This project was permissible under T.C.A. § 68-11-1629.

The following modifications have been approved:

- 1) In December 15, 2010, a twelve (12) month extension from January 1, 2012 to January 1, 2013 was approved by a vote of 6-0-1; and
- 2) In November 16, 2011, a twelve (12) month extension from January 1, 2013 to January 1, 2014 and modification of the CON for a change of control was approved by transfer of 100% of the membership interest, of the ownership and operating entity, Oaktree Health Rehabilitation Center, LLC from the Americare affiliated entity to Christian Care Center of Memphis, LLC by unanimous vote of 11-0.



SunTrust Plaza  
401 Commerce Street  
Suite 800  
Nashville, TN 37219  
(615) 782-2200  
(615) 782-2371 Fax  
www.stites.com

September 30, 2013

Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Frost Building, 3rd Floor  
161 Rosa L. Parks Boulevard  
Nashville, TN 37243

Jerry W. Taylor  
(615) 782-2228  
(615) 742-0703 FAX  
jerry.taylor@stites.com

RE: Christian Care Center of Memphis  
f/k/a Americare Health and Rehabilitation Center  
CN0908-045AM  
Request for Extension and Cost Increase

Dear Ms. Hill:

This is to request, on behalf of Oaktree Health and Rehabilitation Center, LLC, a two year extension of the expiration date, and approval of a cost increase of \$1,853,976.00, making the total estimated project cost \$10,473,976 (exclusive of filing fees). This is the second request for an extension of this CON and the first request for approval of additional costs. But it is the first request for a modification of any kind since my client acquired ownership of the company following the Agency's approval of the change of control on November 16, 2011.

Under the previous ownership, this project appeared to be making little progress. (Please see Attachment 1 for a chronological summary of the history of this project). The company which holds the CON, Oaktree Health and Rehabilitation Center, LLC was acquired by my clients, J. R. Lewis and Richard B. Griffin II, through the entity Christian Care Center of Memphis, LLC, effective in February of 2012. Since the acquisition of the company, Christian Care Center of Memphis has committed substantial financial resources and manpower in order to purchase the land, completely re-design the facility, and straighten out several other development issues.

Mr. Lewis' profession is nursing home ownership and operation, and Mr. Griffin owns Griffin Construction Company which specializes in the design and construction of nursing homes. Mr. Griffin and/or his related companies have developed and constructed 10 nursing homes in the past 5 years alone (a listing of these facilities will be provided upon request). Mr. Lewis and Mr. Griffin jointly hold ownership interests in several nursing facilities in Tennessee and other states. (Please see Attachment 2 for a listing of such facilities). In addition, Mr. Lewis has ownership interests independent of Mr. Griffin in several other nursing homes in Tennessee

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Melanie M. Hill  
September 30, 2013  
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and other states (a listing of these facilities will be provided upon request). Between the two of them, they are skilled and experienced in the planning, development, construction and operation of skilled nursing facilities, and are absolutely committed to the full implementation of this CON and the development of a first class skilled nursing facility to be called Christian Care Center of Memphis. In order to make this a reality, the extension of time and approval of the cost increase are absolutely necessary.

The extension of time and cost increase, respectively, are justified for the following reasons:

Extension of Time: The Agency approved the change of control of the company on November 16, 2011, and at the same time extended the expiration date by one year to January 1, 2014. At that time, my clients were under the understanding, based on the documents they were able to review, that the land was under a very straight-forward Option to Purchase which could be closed upon quickly, and that adequate facilities drawings were in place. Subsequently, several issues arose which proved those beliefs to be incorrect. In retrospect, a longer extension should have been requested, but these delays were not reasonably foreseeable. More specifically the following problems were dealt with:

1. The site was to be on a tract of land which was part of a larger tract under control of an unrelated party, Wills & Wills, L.P. The prior CON holder had made some commitments to this third party that were now expected of Oaktree/Christian Care Center of Memphis. It took several months of negotiations in order for the property seller and Oaktree/Christian Care Center of Memphis to come to agreeable terms for the purchase. During this time, Oaktree/Christian Care Center of Memphis engaged a local engineering firm and included its architects in discussions with the property seller to ensure that the parcel the seller was marketing to Oaktree/Christian Care Center of Memphis would meet local and regional planning guidelines and serve the purpose of supporting a long-term care facility. The land purchase was finally closed on November 21, 2012 over one year after approval of the change of control).

2. The previous owner had conducted absolutely no due diligence or vetting relating to the site or worked with city officials to ensure the site was appropriate for the intended purpose. The normal process in a urban area such as Memphis requires working with City officials, before plans are submitted to secure a building permit, to deal with issues such as storm water drainage, water and sewage connections, utilities, and the like. The current owners worked though all of these issues with the city, which entailed an enormous amount of time. The detailed plans were submitted to the City of Memphis on April 14, 2013. The City of Memphis has not yet approved the plans or issued the building permit. That approval is expected soon, perhaps in October 2013.

Melanie M. Hill  
September 30, 2013  
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3. At the time of the acquisition and change of control, no building plans had been prepared. An architectural contract was signed on December 12, 2012. Full detailed plans were prepared and then submitted to the Department Health for approval. The Department of Health finally approved the plans on August 12, 2013.

Substantial Progress: In light of the many difficulties facing this project when Oaktree was acquired by my clients, substantial progress has been made. To summarize the progress to date: (1) the land has been acquired; (2) an architect and construction company have been hired; (3) a building permit application has been made and approval is expected shortly; (4) full detailed building plans have been prepared, and have been approved by the Tennessee Department of Health (a copy of the approval letter is attached as Attachment 3); (5) construction and permanent financing has been approved, and a closing on the loan is expected to occur by the end of October (a copy of the loan approval letter is attached as Attachment 4).

Projected Time for Completion: The estimated date of completion is January 1, 2016. For the Agency's convenience, a completed Project Completion Forecast Chart is attached as Attachment 5. This is believed to be a reasonable schedule. Once the building permit is issued by the City, site preparation will begin in short order. The projected construction time line is approximately 12 months. Twenty-four months is needed because the owner does not know exactly when the City will issue the permit, and there is also uncertainty as to the time that will be required to get the licensure survey and approval.

Increase in Estimated Project Cost: Virtually every significant category of project cost was underestimated; in some cases drastically so. For the Agency's convenience a Project Cost Chart, reflecting the original itemized cost estimate and the current revised cost estimate is attached as Attachment 6. Part of the cost increase is due simply to inflation and the passage of time: the application was submitted in August of 2009. In other cases it appears the previous owner simply under-estimated the cost, for whatever reason. Finally, part of the increase was due to the fact the current owners are committed to building a facility with nicer finishes and patient amenities than would have been possible in accordance with the original cost estimates.

Submitted herewith is a check in the amount of \$11,059 to cover the requested two year extension. Based on information provided by HSDA staff, this is the balance of the allowed fees, in light of the maximum fee amount as set by HSDA Rules.

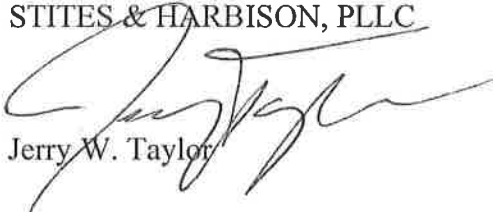
Please place this request on the agenda for the October 23, 2013 HSDA agenda. I and other representatives of the new ownership of Oaktree Health and Rehabilitation Center, LLC will be there to answer questions and provide additional information if needed. Thank you.

Melanie M. Hill  
September 30, 2013  
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Sincerely yours,

STITES & HARBISON, PLLC

A handwritten signature in black ink, appearing to read "Jerry W. Taylor", is written over the printed name.

Jerry W. Taylor

Chronological History of Americare Health and Rehabilitation Center

CN0908-045AM

SEP 30 10:03 AM '09

August, 2009	CON Application filed
November, 2009	CON Application approved
December, 2010	1 year extension granted from Jan. 1, 2011 to Jan. 1, 2013
November, 2011	Transfer of ownership approved: Oaktree Health and Rehabilitation, LLC to Christian Care Center of Memphis, LLC
November, 2011	1 year extension granted from Jan. 1, 2013 to Jan. 1, 2014
February, 2012	Acquisition of Oaktree by CCC Memphis closes
November, 2012	Land purchase by CCC Memphis closes
December, 2012	Architect contract signed
April 2013	Plans submitted to City of Memphis
April 2013	Plans submitted to Department of Health
August, 2013	Plans approved by Department of Health
September, 2013	Construction and permanent financing loan approved
September, 2013	Request for CON modification filed

**Rick Griffin/Randy Lewis Companies**

**Nursing Home Operations**

Christian Care Center of Bedford County  
Christian Care Center of Johnson City  
Lancaster Medical Investors dba Christian Care Center of Lancaster  
Lakebridge Medical Investors dba Lakebridge Healthcare Center  
Christian Care Center of Springfield

**Location**

Shelbyville, TN  
Johnson City, TN  
Lancaster, KY  
Johnson City, TN  
Springfield, TN

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STATE OF TENNESSEE  
DEPARTMENT OF HEALTH  
DIVISION OF HEALTH LICENSURE AND REGULATIONS  
OFFICE OF HEALTH CARE FACILITIES

710 HART LANE, 1ST FLOOR  
NASHVILLE, TENNESSEE 37243  
TELEPHONE (615) 741-6998  
FAX (615) 253-1868

August 12, 2013

KEN ROSS ARCHITECTURE, INC.  
210 EAST WATAUGA AVENUE  
JOHNSON CITY, TN 37601

RE Project Name OAKTREE HEALTH & REHABILITATION CENTER  
Project Number 2013-05-06-03  
City: MEMPHIS County: SHELBY

Type Approval: Architectural Approval

NOTE: PROVIDE SPRINKLER DRAWING & HYDRAULIC CALCULATIONS

Dear C.W. PARKER:

The plans and specifications with notes for the referenced project appear to be in compliance with all applicable rules and regulations. This letter is your authority to begin construction in accordance with your approved plans. This approval does not relieve the owner or architect of the responsibility for any code deficiency which may have been missed during the plans review.

Final inspection requests shall be directed to Rick Gore at (731) 984-9684 a minimum of four (4) weeks prior to the date of the requested inspection. Prior to the final inspection, a CD or DVD disc of the final approved plans (with Health Department and Engineers stamps) including all shop drawings, sprinkler, hood and duct, calculations, addenda, specifications, etc., must be submitted to the Plans Review Section. The storage container and the disc must be labeled with the project name, assigned project number and county.

**The final inspection will not be conducted until the CD/DVD disc is received and approved.**

A set of approved plans containing the Department's approval stamp must be available on the job site at the time of inspections.

If you have any questions, please contact the Plans Review Section for assistance.

Sincerely,

ALAN MCCARTHY  
Facilities Construction Specialist III  
Plan Review Section  
Alan.Mccarthy@tn.gov

cc: Owner/Administrator  
Regional Administrator

ATTACHMENT 3



**SIMMONS FIRST**

PINE BLUFF, ARKANSAS / MEMBER FDIC

**MARLA MITCHELL**  
Vice President

September 26, 2013

State of Tennessee  
Health Services and Development Agency  
500 Deaderick Street, Suite 850  
Nashville, TN 37243

RE: Oaktree Health and Rehabilitation Center, LLC ("OHRC")  
Construction of new 90 bed nursing home located at 6500 Kirby Gate Boulevard, Memphis, TN

Dear Sirs:

Simmons First National Bank of Pine Bluff, Arkansas has approved loan funding in the amount of \$11,124,000.00 for the construction and permanent financing of a 90-bed skilled nursing facility located in Memphis, Tennessee. The loan will close on or before October 31, 2013.

Should you have any questions, please feel free to contact me at (870) 541-1148 or [marla.mitchell@simmonsfirst.com](mailto:marla.mitchell@simmonsfirst.com).

Sincerely,

Marla Mitchell  
Vice President

SEP 30 '13 PM 1:39

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):  
October 23, 2013 \*

SEP 30 10 49 AM '13

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

PHASE	DAYS REQUIRED	ANTICIPATED DATE (Month/Year)
1. Architectural and engineering contract signed	---	November 30, 2012
2. Construction documents approved by the Tennessee Department of Health	---	August 12, 2013
3. Construction contract signed	---	August 26, 2013
4. Building permit secured	30	November 2013
5. Site preparation completed	120	February, 2014
6. Building construction commenced	120	February, 2014
7. Construction 40% complete	210	May 2014
8. Construction 80% complete	330	September 2014
9. Construction 100% complete (approved for occupancy	420	December, 2014
10. *Issuance of license	510	March, 2014
11. *Initiation of service	510	March, 2014
12. Final Architectural Certification of Payment	510	March, 2014
13. Final Project Report Form (HF0055)	600	June, 2014

**\* For purposes of this modification request, the approval date is from the date of the requested modification approval.**

# PROJECT COSTS CHART

SEP 30, 2013 1:40

		Original Estimate Former Owner 2009	Current Estimate CCC Memphis 2013
A.	Construction and equipment acquired by purchase:		
	1. Architectural and Engineering Fees	\$ 250,000.00	\$ 285,000.00
	2. Legal, Administrative, Consultant Fees	\$50,000	\$ 50,000.00
	3. Acquisition of Site	\$ 750,000.00	\$ 983,605.00
	4. Preparation of Site		\$ 1,086,500.00
	5. Construction Costs	\$ 5,670,000.00	\$ 7,674,371.00
	6. Contingency Fund	\$ 283,000.00	Incl. in Line A,5
	7. Fixed Equipment (Not included in Construction Contract)		
	8. Moveable Equipment (List all equipment over \$50,000.00)	\$ 400,000.00	Incl. in Line A,5
	9. Other (Specify) _____	\$ 200,000.00	Incl. in line A,5
B.	Acquisition by gift donation, or lease:		
	1. Facility (Inclusive of building and land)	_____	_____
	2. Building Only	_____	_____
	3. Land Only	_____	_____
	4. Equipment (Specify) _____	_____	_____
	5. Other (Specify) _____	_____	_____
C.	Financing Costs and Fees:		
	1. Interim Financing	\$ 500,000.00	\$ 366,000.00
	2. Underwriting Costs	_____	_____
	3. Reserve for One Year's Debt Service	\$ 397,000.00	Inc. in Line C,1
	4. Other (Specify) _____	\$ 120,000.00	\$ 28,500.00
D.	Estimated Project Cost (A+B+C)	\$ 8,620,000.00	\$ 10,473,976.00
	<b>Cost Difference =</b>	<b>\$ 1,853,976.00</b>	
E.	CON Filing Fee	\$ 19,395.00	\$ 45,000.00
F.	Total Estimated Project Cost (D & E)	\$ 8,639,395.00	\$ 10,518,976.00

Note: the "current:" filing fees represent the total fees paid by the previous owner and the current owner. This is the maximum fee as set by HSDA Rules

STATE OF TENNESSEE  
Health Services and Development Agency



Certificate of Need No. **CN0908-045AME** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Ameircare Long Term Specialty Hospital, LLC  
3391 Old Getwell Road  
Memphis, TN 38118

For: Ameircare Long Term Specialty Hospital, LLC d/b/a Americare Health and Rehabilitation Center

This Certificate is issued for: The partial relocation and replacement of a health care facility. Ninety (90) of the two hundred thirty-seven (237) nursing home beds, which are all currently located at 3391 Old Getwell Road, Memphis (Shelby County), TN, will be moved to a new facility to be constructed on an approximately 3.15 acre parcel of land. The new facility will be owned, operated, and licensed in the name of a separate, but affiliated entity known as Christian Care Center of Memphis, LLC and will contain ninety (90) nursing home beds in approximately 49,500 square feet of space.

\* These beds will not be subject to the 2009-2010 Nursing Home Bed Pool.

**Modification:** Modified pursuant to Rule 0720-10-.06(8) – This project was approved on November 18, 2009; On December 15, 2010 the Agency granted a twelve (12) month extension from January 1, 2012 to January 1, 2013; on November 16, 2011 the Agency granted approval of transfer of ownership of Oak Tree Health & Rehabilitation Center from AmeriCare to Christian Care Center of Memphis, LLC, and a twelve (12) month extension from January 1, 2013 to January 1, 2014.

On the premises located at: Corner of Kirby Pkwy. and Kirby Gate Blvd.  
Memphis (Shelby), TN 38118

For an estimated project cost of: \$8,639,395.00

The Expiration Date for this Certificate of Need is

January 1, 2014

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: November 16, 2011

Carl Koelliker  
Chairman

Date Issued: April 25, 2012

Melanie M. Blum  
Executive Director



# GENERAL COUNSEL'S REPORT

October 23, 2013

- A. The Health Center of Nashville, Nashville (Davidson County), TN — CN1107-024A  
Request for an eighteen (18) month extension of the expiration date from November 1, 2014 to May 1, 2016 and the following project modifications pursuant to the approval of CN1306-022 which will relocate 60 of the 150 beds authorized by CN1107-024A:
- Reduction of 60 beds from the 150 approved beds to 90 private beds;
  - Decrease in project cost by \$2,381,950 from \$23,894,100 to \$21,512,150;
  - Other changes related to the footprint of the facility including (a) reduction in overall square footage by 8,592 SF from 86,000 SF to 77,408 SF; (b) increase in therapy gym space by 2,500 SF from 2,300 SF to 4,800 SF; (c) the addition of 3,400 SF of shelled space for potential future growth. The Health Center of Hermitage, CN1306-022 is pending to relocate 60 of the 150 beds authorized by CN1107-024A with an estimated project cost of \$23,894,100.

2008- Legislation enacted and codified at TCA § 68-11-1628 that authorized the partial relocation of certain nursing home bed via the certificate of need process. The legislation was specific to the circumstances regarding McKendree Manor which contained 300 beds.

May 26, 2010 – Agency granted unanimous approval for CN1002-007A which authorized the establishment of a new 150-bed nursing home by relocating 150 beds from the 300-bed McKendree Manor pursuant to TCA § 68-11-1628. The new facility was to be located on 2816 Old Hickory Blvd. in Nashville (Davidson County).

September 28, 2011 – Agency granted unanimous approval for CN1107-024A for a change of site/relocation for the approved but unimplemented CN1002-007A to Hwy 100 and Pasquo Road in Nashville (Davidson County) and also approved a three year expiration date instead of the customary two.

This request is related to The Health Center of Hermitage, CN1306-022, in that 60 of those 90 proposed beds would be relocated from the unimplemented CN1107-024 pursuant to TCA § 68-11-1631 which was enacted in 2012. This legislation was specific to circumstances regarding this NHC facility and another one in Murfreesboro, TN.

**DEFERRED FROM THE SEPTEMBER MEETING**





August 30, 2013

VIA HAND DELIVERY

Jim Christoffersen, Esq.  
General Counsel  
Tennessee Health Services and Development Agency  
161 Rosa L. Parks Boulevard, 3<sup>rd</sup> Floor  
Nashville, TN 37203

RE: The Health Center of Nashville, CN1107-024A

Dear Mr. Christoffersen:

The purpose of this letter is to request modification of the certificate of need ("CON") for the project referenced above.

Background

On September 28, 2011, the Agency approved CN1107-024 for the establishment of a 150 bed nursing home to be constructed in Nashville on an unaddressed site at the intersection of Highway 100 and Pasquo Road. The 150 nursing home beds addressed in the CON had their origin in a facility that qualified under T.C.A. § 68-11-1628, which authorized certain existing nursing home facilities to relocate a portion of their beds. In other words, the 150 nursing home beds in CN1107-024A are not new nursing home beds, but are a relocation of beds that previously existed in the market.

In 2012, the Tennessee General Assembly enacted legislation now codified at T.C.A. § 68-16-1631. This statute authorizes, among other things, the partial relocation of a portion of the beds in a facility that is authorized under an unimplemented CON that was issued on the basis of § 68-11-1628. In other words, § 68-16-1631 authorizes the issuance of a CON to relocate part of the 150 beds that are covered by CN1107-024A.

A CON application has been filed pursuant to § 68-16-1631 (CN1306-022) to relocate 60 of the 150 beds authorized under CN1107-024A to a facility to be constructed on Bell Road; this application also requests an additional 30 beds. The application was deemed complete in July and it is scheduled to be heard by the Agency at its meeting on September 25, 2013. If the Agency approves CN1306-022, the size and scope of CN1107-024A will change materially, thus this request for modification.

*The Pinnacle at Symphony Place  
150 3rd Avenue South, Suite 1600  
Nashville, TN 37201*

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17491902v1

Requested Modification

If the Agency approves CN1306-022, then we respectfully request that CN1107-024A be modified to reduce the size of the project to 90 beds rather than 150 beds and to reduce the estimated project cost from \$23,894,100 to \$21,512,150. The key features of the requested modification are as follows:

- The size of the facility will be reduced from 86,000 sq. ft. to 77,408 sq. ft.
- All of the 90 beds will be in private rooms; the current 150-bed project is based on 38 private rooms, 41 companion suites and 15 semi-private rooms.
- The therapy gym in the modified facility will increase in size to 4,800 sq. ft., compared to 2,300 sq. ft. in the current design. The increased size of the therapy gym is needed to support the focus of the facility on post-acute rehabilitation services.
- The modified facility will include 3,400 sq. ft. of shelved space for potential future growth.

In support of this request, we are enclosing attachments as follows: (1) new project cost chart for the 90 bed facility and architect's letter confirming the construction cost estimate; (2) a square footage chart for the 90 bed facility; and (3) projected data charts for the first two years following completion.

We also request that the expiration date for the CON be extended by eighteen (18) months from the current expiration date of November 1, 2014, to May 1, 2016. Substantial progress toward completion has been accomplished through purchase of the site (which was originally only under an option) and by obtaining zoning changes, commitments from utilities and an agreement with Metropolitan Nashville for off-site traffic improvements. Total investment toward completion of the project is approximately \$2,600,000, which includes property acquisition, architectural, engineer and legal fees.

Construction of the project has been delayed because of the desire to relocate 60 of the beds to another site. Facility plans cannot be submitted to the Department of Health until the relocation of 60 beds has been approved by the Agency and the scope of CN1107-024A has been modified accordingly. The requested extension will provide ample time to complete construction of the project.

In connection with the request for an extension, we are enclosing a filing fee of \$33,750.00, which is 75% of the original filing fee of \$45,000.

Jim Christoffersen, Esq.  
August 30, 2013  
Page 3

We would appreciate this request being scheduled for consideration by the Agency at its meeting on September 25, 2013. Please let us know if you have any questions or need additional information.

Very truly yours,

BUTLER, SNOW, O'MARA, STEVENS &  
CANNADA, PLLC



Dan H. Elrod

clw  
Attachments  
cc: Bruce Duncan

# Attachment 1

## PROJECT COSTS CHART

## A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	808,600
2. Legal, Administrative, Consultant Fees	92,800
3. Acquisition of Site (Building, including estimated closing costs)	1,040,000
4. Preparation of Site	2,434,300
5. Construction Costs	13,647,000
6. Contingency Fund	678,500
7. Fixed Equipment (Not included in Construction Contract)	876,500
8. Moveable Equipment (List all equipment over \$50,000)	950,400
9. Other (Specify) Landscaping, pre-opening, impact fees	402,000

## B. Acquisition by gift, donation or lease:

1. Facility (Inclusive of building and land)	
2. Building Only	
3. Land Only	
4. Equipment (Specify)	
5. Other (Specify)	

## C. Financing costs and Fees:

1. Interim Financing	548,300
2. Underwriting Costs	
3. Reserve for One Year's Debt Service	
4. Other (Specify)	

D. Total Estimated Project Cost (A + B + C)	21,478,400
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E. CON Filing Fee (Extension)	33,750.00
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F. Total Estimated Project Cost (D + E)	\$ 21,512,150
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## NHC Place at the Trace

### Project Costs Charts Assumptions

#### Architectural/Engineering

Architect	\$ 644,800
Civil and Landscaping	51,700
Landscape Architect	6,900
Materials testing	55,000
Test & balance study	50,200
Total	<u>\$ 808,600</u>

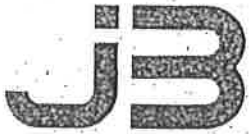
#### Fixed Equipment

Kitchen, Laundry, Asst. Bathing, Signage & Miscellanec	<u>\$ 876,500</u>
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#### Other Costs

Landscaping	\$ 243,000
Impact Fees	78,000
Start up costs (pre-opening)	81,000
Total	<u>\$ 402,000</u>

Johnson + Bailey Architects P.C.



August 28, 2013

Mr. Bruce Duncan  
National HealthCare Corporation  
100 East Vine Street  
Murfreesboro, TN 37130

Re: The Place at the Trace

Dear Bruce:

Based upon a new construction total building area of 77,408 sq. ft., it is my opinion, based upon recently completed similar projects, that the total construction costs for the referenced project should be \$13,647,000 or approximately \$176.50 per sq. ft. exclusive of site development, equipment, and other soft costs.

The plans have been designed in compliance with the applicable building and life safety codes and to the requirements specified in the latest adopted edition of the Guidelines for the Design and Construction of Health Care Facilities.

Please advise if you require any additional information relative to construction costs for this project.

Sincerely,

JOHNSON + BAILEY ARCHITECTS P.C.

A handwritten signature in black ink, appearing to read 'James H. Bailey III', is written over a circular stamp or seal.

James H. Bailey III AIA  
President

# Attachment 2



A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Admin						3,594			\$176.50	\$634,341
Kitchen						1,508			\$176.50	\$266,162
Employee Break						297			\$176.50	\$52,421
Laundry						746			\$176.50	\$131,669
Storage/Central Supply						638			\$176.50	\$112,607
Housekeeping						195			\$176.50	\$34,418
Classroom										\$0
Beauty/Barber						294			\$176.50	\$51,891
PT/OT/Speech						5,008			\$176.50	\$883,912
Nursing Support						3,305			\$176.50	\$583,333
Dining/Rec						6,640			\$176.50	\$1,171,960
Sun Room						550			\$176.50	\$97,075
Public/Staff Toilets						245			\$176.50	\$43,243
Patient Rms & Baths						32,571			\$176.50	\$5,748,782
B. Unit/Dept. GSF										
Sub-Total						55,591			\$176.50	\$9,811,812
C. Mechanical/ Electrical GSF										
D. Circulation /Structure GSF						1,853			\$176.50	327,055
E. Maintenance						19,462			\$176.50	3,435,043
F. Total GSF						502			\$145.60	73,091
						77,408			\$176.30	\$13,647,000

# Attachment 3

## PROJECTED DATA CHART

Give information for the two (2) years following completion of this proposal. The fiscal year begins in November (Month).

	Nov-16	Nov-17
A. Utilization Data (Specify unit of measure) (Patient Days)	17,306	31,211
(Specify unit of measure) (% Occupancy)	52.68%	95.01%
B. Revenue from Services to Patients		
1. Inpatient Services	\$8,165,303	\$15,389,049
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify)		
Gross Operating Revenue	\$ 8,165,303	\$ 15,389,049
C. Deductions for Operating Revenue		
1. Contractual Adjustments	\$ (2,580,619)	\$ (5,015,311)
2. Provision for Charity Care	(3,166)	(5,854)
3. Provisions for Bad Debt	(10,762)	(20,017)
Total Deductions	\$ (2,594,547)	\$ (5,041,182)
NET OPERATING REVENUE	\$ 5,570,756	\$ 10,347,867
D. Operating Expenses		
1. Salaries and Wages	\$ 2,550,092	\$ 3,662,636
2. Physician's Salaries and Wages	60,001	61,800
3. Supplies	96,758	180,037
4. Taxes	198,887	204,854
5. Depreciation	690,512	690,512
6. Rent		
7. Interest, other than Capital		
8. Management Fees		
a. Fees to Affiliates	167,123	310,436
b. Fees to Non-Affiliates		
9. Other Expenses (Specify) - SEE ATTACHED SCHEDULE	3,264,840	5,159,858
Total Operating Expenses	\$ 7,028,213	\$ 10,270,133
E. Other Revenue (Expenses)—Net (Specify)		
NET OPERATING INCOME (LOSS)	\$ (1,457,457)	\$ 77,734
F. Capital Expenditure		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	\$ -	\$ -
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	\$ (1,457,457)	\$ 77,734

PROJECTED DATA CHART SUPPLEMENT  
NHC Place at the Trace  
PROJECTED DATA  
YEAR 1

	<u>Salaries</u>	<u>Other</u>	<u>Total</u>
Inhalation Therapy		\$ 26,097	\$ 26,097
Occupational Therapy		292,916	292,916
Physical Therapy		324,429	324,429
Speech Pathology		73,240	73,240
Pharmacy		397,322	397,322
Lab and Radiology		76,401	76,401
IV Therapy		44,710	44,710
Nursing Service	1,633,814	634,234	2,268,048
Social Service	104,042	28,141	132,183
Activities	74,993	19,423	94,416
Dietary	226,907	215,827	442,734
Plant Operations	89,130	353,248	442,378
Housekeeping	111,865	49,508	161,373
Laundry and Linen	50,517	27,168	77,685
Medical Records	68,979	33,349	102,328
Administrative and General	<u>189,845</u>	<u>668,827</u>	<u>858,672</u>
Totals	<u>\$2,550,092</u>	<u>\$3,264,840</u>	<u>\$ 5,814,932</u>

PROJECTED DATA CHART SUPPLEMENT  
NHC Place at the Trace  
PROJECTED DATA  
YEAR 2

	<u>Salaries</u>	<u>Other</u>	<u>Total</u>
Inhalation Therapy		\$ 48,724	\$ 48,724
Occupational Therapy		569,399	569,399
Physical Therapy		579,912	579,912
Speech Pathology		149,605	149,605
Pharmacy		739,461	739,461
Lab and Radilology		141,925	141,925
IV Therapy		83,104	83,104
Nursing Service	\$2,394,778	814,325	3,209,103
Social Service	154,378	48,808	203,186
Activities	63,603	27,518	91,121
Dietary	303,446	377,157	680,603
Plant Operations	91,358	358,639	449,997
Housekeeping	231,443	96,847	328,290
Laundry and Linen	81,950	48,113	130,063
Medical Records	86,239	58,079	144,318
Adminstrative and General	<u>255,441</u>	<u>1,018,242</u>	<u>1,273,683</u>
Totals	<u>\$3,662,636</u>	<u>\$5,159,858</u>	<u>\$ 8,822,494</u>

STATE OF TENNESSEE  
Health Services and Development Agency



Certificate of Need No. **CN1107-024A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: National HealthCare Corporation  
100 Vine Street, 12th Floor  
Murfreesboro, TN 37130

For: The Health Center of Nashville

This Certificate is issued for: Change of site/relocation of CN1002-007A for the construction of a 150 bed nursing home.

On the premises located at: Unaddressed site at Southeast quadrant of Highway 100 and Pasquo Road  
Nashville (Davidson County), TN 37221

For an estimated project cost of: \$23,894,100.00

The Expiration Date for this Certificate of Need is

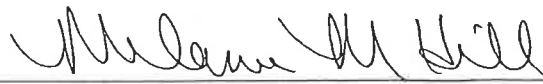
November 1, 2014

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: September 28, 2011

  
Chairman

Date Issued: October 26, 2011

  
Executive Director

STATE OF TENNESSEE  
Health Services and Development Agency



Certificate of Need No. **CN1002-007A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: The Health Center of Nashville, LLC  
100 Vine Street  
Murfreesboro, TN 37130

For: The Health Center of Nashville, LLC

This Certificate is issued for: A change of site/relocation of 150 beds from McKendree Village, 4347 Lebanon Road, Hermitage (Davidson Co.) TN 37076 to 2816 Old Hickory Boulevard, Nashville (Davidson Co.), TN 37221. Pursuant to T.C.A. § 68-11-1628, the proposed site will be a newly constructed 150 bed nursing home located on approximately 50 acres. The Health Center of Nashville will be certified for both Medicaid and Medicare participation.

On the premises located at: 2816 Old Hickory Blvd.  
Nashville (Davidson County), TN 37221

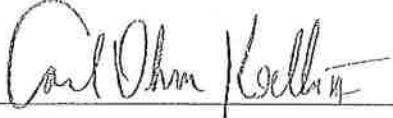
For an estimated project cost of: \$23,320,300.00

The Expiration Date for this Certificate of Need is

July 1, 2012

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: May 26, 2010

  
Chairman

Date Issued: June 23, 2010

  
Executive Director

**68-11-1628. Relocation of beds — Requirements — Certification Status.**

(a) Any existing licensed and operating nursing home may relocate less than all of its licensed beds to a new location or site if the following conditions are satisfied:

(1) The original facility has maintained an average annual occupancy rate for all licensed beds of at least eighty-five percent (85%) as reported on the joint annual reports for the calendar years 2006 and 2007;

(2) The proposed location for relocation of beds is within the original facility's service area;

(3) The original facility is part of a continuing care retirement community that offers long term care, including services that included skilled nursing facility (SNF) services, assisted living and independent living;

(4) The original facility is licensed for more than two hundred ninety (290) beds by the department of health and was certified within the preceding twelve (12) months for medicaid and medicare participation; and

(5) An application for the relocation of the beds is filed with and approved by the health services development agency pursuant to this part.

(b) Any beds relocated to a new location shall initially have the same medicaid certification status that the original, existing nursing home relocating its beds maintains when the certificate of need is granted allowing the movement of beds.

(c) Nothing in this section shall affect a certificate of need project filed before June 3, 2008.

**History.**

Acts 2008, ch. 1089, § 2; 2009, ch. 51, § 1.

**68-11-1629. Conditions for relocation of beds by an existing licensed and operating nursing home.**

(a) Any existing licensed and operating nursing home may relocate all or fewer than all of its licensed beds to no more than two (2) new locations if the following conditions are satisfied:

(1) The original facility is subject to a condemnation proceeding by a railroad that has a property interest in property adjacent to the facility's property;

(2) The original facility is licensed for more than two hundred thirty (230) beds by the department of health and is certified for medicaid and medicare participation;

(3) Any proposed location for relocation of beds is within the original facility's service area; and

(4) One (1) or more applications for the relocation of the beds is filed with and approved by the health services development agency pursuant to this part.

(b) Nothing in this section shall affect a certificate of need project filed before April 9, 2009.



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125, 2011,  
212, ch. 575,

## § 1.

**Amendments.**

The 2012 amendment substituted "depart-  
ment of mental health and substance abuse

services" for "department of mental health" in  
(d)(8).

**Effective Dates.**

Acts 2012, ch. 575, § 3. July 1, 2012.

### 68-11-1628. Relocation of beds — Requirements — Certification Sta- tus.

**Section to Section References.**

This section is referred to in § 68-11-1631.

### 68-11-1631. Qualified partial relocation of certain nursing home facili- ties.

(a) Notwithstanding any other law, the agency shall consider a certificate of need application for a qualified partial relocation of a nursing home facility.

(b) A certificate of need application for a qualified partial relocation of a nursing home facility refers only to the following circumstances:

(1) The holder of an unimplemented certificate of need issued under § 68-11-1628, prior to January 1, 2012, seeks to relocate within the same county a portion of the nursing home beds that are the subject of the unimplemented certificate of need; or

(2) An existing nursing home facility seeks to relocate to a new site within the same county up to fifty percent (50%) of its existing licensed nursing home beds; provided, that the nursing home facility meets all of the following criteria:

(A) The nursing home facility has at least one hundred eighty (180) licensed beds;

(B) The nursing home facility has operated for at least twenty-five (25) years at a location within five hundred feet (500') of a general acute care hospital that has more than two hundred (200) licensed beds; and

(C) The general acute care hospital relocated to a new site within the same county and more than two (2) miles from its previous location.

(c) An application for a qualified partial relocation of a nursing home facility that does not seek to increase the number of licensed beds from the number of beds to be relocated shall be reviewed by the department and considered by the agency pursuant to § 68-11-1609(b), and shall not be considered new nursing home beds. The criteria of §§ 68-11-1621 and 68-11-1622 shall not apply to an application for a qualified partial relocation of a nursing home facility.

(d) If an application for a qualified partial relocation of a nursing home facility seeks to increase the number of licensed beds from the number of beds to be relocated, that portion of the application that increases the number of beds shall comply with § 68-11-1622, and shall be considered new nursing home beds. The remaining part of the application relative to the qualified partial relocation shall be reviewed by the department and considered under the criteria set out in subsection (c).

**History.**

Acts 2012, ch. 618, § 1.

**Effective Dates.**

Acts 2012, ch. 618, § 2. March 23, 2012.



# GENERAL COUNSEL'S REPORT

October 23, 2013

- B. Parkridge Valley Adult Services, Chattanooga (Hamilton County), TN — CN1202-007A  
Request for a \$2,134,476 project cost increase from \$6,762,605 to \$8, 889,399. The cost increase has been necessitated primarily by 1) significant mold problems requiring removal, and in some cases, gutting and rebuild of the interior; changes mandated by the Tennessee Department of Health; more extensive renovation and outfitting than had been anticipated; and resulting increases in architect and engineering fees.

This project was approved on May 23, 2012 for the following: 1) The relocation of 48 adult psychiatric beds from Parkridge Valley Hospital and 2) the relocation of 16 geriatric psychiatric beds from Parkridge Medical Center by 9-0 unanimous vote. The project is complete, and patients are being served.



SEP 27 '13 PM 2:13

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401 Commerce Street  
Suite 800  
Nashville, TN 37219  
(615) 782-2200  
(615) 782-2371 Fax  
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September 27, 2013

Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Frost Building, 3rd Floor  
161 Rosa L. Parks Boulevard  
Nashville, TN 37243

Jerry W. Taylor  
(615) 782-2228  
(615) 742-0703 FAX  
jerry.taylor@stites.com

RE: Parkridge Valley Adult Services  
CN1202-007A

Dear Ms. Hill:

This is to request approval of an increase in the estimated project cost in the amount of \$2,134,476.00 for a total approved project cost of \$8,889,399.00 (exclusive of filing fees). The reasons for the cost increase are varied, and are summarized below. Attached as Attachment 1 is a modified Project Cost Chart comparing the originally approved cost to the current costs.

This project was one of three CONs granted to Parkridge Medical Center, Inc. on May 23, 2012 (CN1202-005A, CN1202-006A, and CN1202-007A). The cumulative effect of the 3 CONs was nothing short of a re-configuration of the delivery system of psychiatric services for children and adults in the southeast Tennessee region. The overall project was prompted by the abrupt and unexpected closure of a free-standing psychiatric hospital with 32 inpatient psychiatric beds at a facility then known as Cumberland Hall in Chattanooga. Parkridge came forward to fill the void in services and beds created by the closure of Cumberland Hall. No opposition was filed to any of these projects.

The three CONs authorized a combination of bed conversions, re-distributions and additions, as well as the purchase of the entire building and campus of the former Cumberland Hall, by Parkridge. This allowed for the segregation of child and adolescent psychiatric patients on one Parkridge campus (Parkridge Valley) and the adult psychiatric patients on a separate Parkridge campus (Parkridge Valley Adult Services), the latter of which was the former Cumberland Hall campus. It also allowed for additional child and adolescent psych beds, a desperately needed service for which Parkridge is the only provider in the region.

This request for approval of a cost increase directly relates only to the Parkridge Valley Adult Services project. When the CON was approved, the Cumberland Hall facility had been shut down for months, and in that time significant mold problems had occurred within the structure. While Parkridge was aware of the mold problems and had received a cost estimate from a mold remediation specialist, the full extent of the mold problem as well as other issues

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Melanie M. Hill  
September 27, 2013  
Page 2

with the physical plant were not discovered, and/or the extent of the problems were not fully appreciated, until actual renovation of the facility was undertaken.

As an illustration of this category of problems that contributed to the cost increase, in some of the building areas the extent of the mold was so severe it was necessary to completely "gut" the interior area and re-build, rather than attempt to remove the mold from the existing walls, ceilings, floors and furnishings. This is why the current mold "remediation" cost is lower than originally estimated, but the current "construction" costs are much higher than originally estimated. In addition, some changes resulting in construction cost increases were required as a result of the Department of Health's review of the final plans. As reflected on Attachment 1 the total combined cost of "construction" and "mold remediation" (Lines A, 5 & A, 9) increased from \$1,975,202 to \$2,987,816.

It was also later determined that in order for the new Adult Services campus to meet the high expectations of patient comfort and care of the HCA Tri Star Health System, much more extensive renovation and outfitting (furniture, fixtures and equipment) was required than originally estimated. As reflected on Attachment 1, this resulted in the total combined cost of fixed and movable equipment (Lines A, 7 & A, 8) to increase from \$945,830 to \$2,190,669.

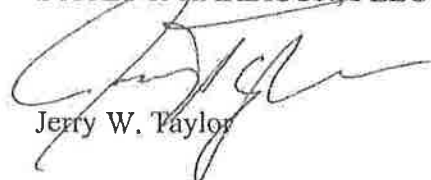
The other area of significant cost increase was the A & E fees, which increased from a relatively nominal \$25,000 to \$185,914. This was a result of additional A & E services required by the significant changes in construction/renovation plans, as well as certain changes required as a result of the Department of Health's review of the final plans.

This project is complete as of now, and patients are being served. The full extent of the cost overrun, and the fact that it would require Agency approval was an oversight and was not realized until the Final Project Report was being prepared. We apologize for the oversight and assure the Agency it was not intentional.

It is my understanding the additional filing fee for the cost increase is to be paid upon the filing of the Final Project Report. If this is not correct, please let me know and the fee will be submitted. Please put this request on the agenda for the October 23 meeting. I and other representatives of Parkridge will be there to answer any questions the members may have. Thank you.

Sincerely yours,

STITES & HARBISON, PLLC



Jerry W. Taylor

# PROJECT COSTS CHART

Original

Current

## A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	\$ 25,000.00	\$ 185,914.00
2. Legal, Administrative, Consultant Fees	\$ 20,000	\$ 25,000.00
3. Acquisition of Site	\$ 3,500,000.00	\$ 3,500,000.00
4. Preparation of Site		
5. Construction Costs	\$ 1,483,202.00	\$ 2,905,007.00
6. Contingency Fund	\$ 288,891.00	Incl. in Line A,5
7. Fixed Equipment (Not included in Construction Contract)		\$ 1,508,409.00
8. Moveable Equipment (List all equipment over \$50,000.00)	\$ 945,830.00	\$ 682,260.00
9. Other (Specify) <u>Mold Remediation</u>	\$ 492,000.00	\$ 82,809.00

## B. Acquisition by gift donation, or lease:

1. Facility (Inclusive of building and land)	
2. Building Only	
3. Land Only	
4. Equipment (Specify) _____	
5. Other (Specify) _____	

## C. Financing Costs and Fees:

1. Interim Financing	
2. Underwriting Costs	
3. Reserve for One Year's Debt Service	
4. Other (Specify) _____	

D. Estimated Project Cost (A+B+C)	\$ 6,754,923.00	\$ 8,889,399.00
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Cost Difference = \$ 2,134,476.00

E. CON Filing Fee	\$ 15,198.58	\$ 20,015.15
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F. Total Estimated Project Cost (D & E)	\$ 6,770,121.58	\$ 8,909,414.15
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Note: "Current" filing fee includes an additional \$4802.57 for the increased project cost.





**Attachment to Annual Progress Report  
Parkridge Valley Adult Services  
CN1202-007A**

This project is complete. However, as the Final Project Report was being prepared, we realized the cost overrun was in an amount sufficient to require the approval of the Agency. A request for modification and project cost increase will be filed in September, 2013. If the modification and cost increase is approved, a Final Project Report will be filed shortly thereafter.

STATE OF TENNESSEE  
Health Services and Development Agency



Certificate of Need No. CN1202-007A is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Parkridge Medical Center, Inc.  
2333 McCallie Avenue  
Chattanooga, TN 37421

For: Parkridge Valley Adult Services

This Certificate is issued for: 1) The relocation of 48 adult psychiatric beds from Parkridge Valley Hospital at 2200 Morris Hill Road, Chattanooga (Hamilton County), TN to a new campus to be called Parkridge Valley Adult Services, located at 7351 Standifer Gap Road, Chattanooga (Hamilton County), TN; and 2) the relocation of 16 geriatric psychiatric beds from Parkridge Medical Center located at 2333 McCallie Avenue, Chattanooga (Hamilton County), TN to the new Adult Services campus. Parkridge Valley Adult Services will operate as a 64 bed satellite hospital of Parkridge Medical Center.

On the premises located at: 7351 Standifer Gap Road  
Chattanooga (Hamilton County), TN 37421

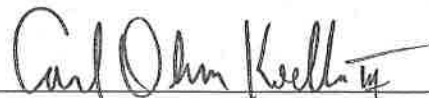
For an estimated project cost of: \$6,762,605.00

The Expiration Date for this Certificate of Need is

July 1, 2015

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: May 23, 2012

  
Chairman

Date Issued: June 27, 2012

  
Executive Director